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Report

drawn up on behalf of the Committee on Energy, Research and Technology

on ~~on~~ certain prerequisites for future guidelines concerning the supply and use of gas
in the Community

Rapporteur: Mr J.-E. BOUSCH

PE 33.295/fin

By letter of 3 May 1973 the Committee on Energy, Research and Technology requested authorization to draw up a report on certain prerequisites for future guidelines concerning the supply and use of gas in the Community.

By letter of 10 May 1973 the President of the European Parliament authorized the committee to draw up this report.

The committee appointed Mr BOUSCH rapporteur at its meeting of 17 May 1973.

At its meeting of 22 October 1973 the committee discussed the draft report and unanimously adopted the motion for a resolution and explanatory statement.

The following were present: Mr Springorum, Chairman; Mr Bousch, vice-chairman and rapporteur; Mr Bangemann (deputizing for Mr Krall), Mr Burgbacher, Mr Covelli, Mr Glesener, Mr Hougardy, Mr Jakobsen, Mr Kater, Mr Lagorce, Mr Leonardi, Mr Memmel, Mr Muller (deputizing for Mr Rizzi), Mr Noe', Mr Normanton, Mr Petersen, Mr van der Sanden, Mr Schmidt (deputizing for Mr Lautenschlager), Mr Verhaegen, Mr Vetrone, Mrs Walz.

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The Committee on Energy, Research and Technology hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on certain prerequisites for future guidelines concerning the supply and use of gas in the Community

The European Parliament,

- having regard to the document of the Commission of the Communities on medium-term forecasts and guidelines for the gas sector in the Community, (SEC(72) 3182 final)
 - referring to its previous resolutions on energy policy, in particular those on:
 - means of securing adequate energy supplies to satisfy the Community's requirements and to guarantee, promote and further improve the Community's competitive position on the world market as a prerequisite for economic growth, full employment and a forward-looking social policy¹;
 - the communications from the Commission to the Council on
 - (a) the progress necessary in Community energy policy, and
 - (b) energy policy: problems and resources, 1975-85²,
 - having regard to the report of the Committee on Energy, Research and Technology (Doc. 213/73),
1. Points to the absolute necessity, recognized in the declaration of the Paris Summit Conference, for a Community energy policy guaranteeing reliable and regular supplies under satisfactory economic conditions;
 2. Considers that the present situation and foreseeable developments in the natural gas sector call for systematic measures on the Community's part within the framework of a Community energy policy;
 3. Considers that Community cannot, with regard to its natural gas supplies, always speculate upon hypothetical discoveries of new deposits;
 4. Takes the view that the Community's growing opportunities for importing natural gas call for the introduction in this sector of a genuine common commercial policy capable of easing the strains on the world market;

¹ OJ C 112, 27 October 1972, p. 32.

² OJ C 37, 4 June 1973, p. 19.

5. Emphasizes that an adequate level of natural gas supplies to the Community from its own resources can only be assured by maintaining production and prospecting of derived gases as well as that of natural gas;
6. Consequently requests the Commission of the Communities to work out a production plan for derived gases;
7. Points out that the main emphasis should be placed on research into the gasification of coal, and stresses the opportunities offered in this sphere by high-temperature reactors;
8. Considers that the qualities of natural gas and its scarcity imply a need for economical and optimal utilization;
9. Requests the Commission to find a solution for the use of natural gas in weakly structured and ecologically backward regions;
10. Requests the Commission to submit a proposal for a directive on the primary, if not exclusive, use of natural gas by households and low energy-consuming industries.
11. Requests the Commission to propose as soon as possible the adoption of a security code for the transport and utilization of gas;
12. Instructs its President to forward this resolution and the Committee's report to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTIntroduction

1. 'Despite coordinated and diversified imports from third countries and prospecting activities on Community territory, natural gas will remain a relatively scarce form of energy.'

In view of its special advantages in certain sectors of consumption, particularly from the angle of environmental conservation, steps must be taken to make sure that it is put to the best possible use. This presupposes, in principle, limitations upon its supply to power stations, the absence of restrictions on intra-Community trade, and efforts to establish closer links between transport networks and storage facilities.'

These paragraphs are taken from the communication from the Commission to the Council entitled 'Guidelines and priority measures for Community energy policy' (SEC(73) 1481 final).

2. It will be noted that although this text indicates the objectives of a Community gas policy, it does not propose any action to attain them.

The same observation could be made with reference to one of the preparatory documents for the communications from the Commission to the Council relating to energy policy (doc. 175/72 - Giraud report - doc. 36/72); this document deals with medium-term forecasts and guidelines for the gas sector in the Community (SEC(72) 3182 final).

The latter document gives a very full and instructive picture of the gas supply situation in the Community of six¹, and of its probable development. It does not, however, say anything about the intentions of the Commission or about the methods which the Commission proposes to use to guide this development in the direction it considers desirable.

¹ According to information supplied by the Commission, an analysis of the situation on the gas sector in the enlarged Community is in course of preparation.

3. The Committee on Energy, Research and Technology has broached the problems connected with the gas sector within the Community energy policy in several reports published recently. These include the reports by

- Mr BURGBACHER on the means of securing at all times adequate energy supplies to satisfy the Community's requirements (Doc. 141/72);
- Mr GIRAUD on the communications from the Commission to the Council on the common energy policy (Doc. 36/73);
- Mr HOUGARDY on the proposal from the Commission to the Council for a regulation concerning trans-frontier oil and gas pipelines (Doc. 31/73);
- Mr HOUGARDY on the proposal for a directive concerning measures designed to attenuate the effects of the difficulties inherent in hydrocarbon supplies (Doc. 32/73);
- Mr de BROGLIE on a proposal for a regulation establishing a common system for imports of hydrocarbons from third countries (Doc. 37/73);
- Mr HOUGARDY on a proposal for a regulation on the application of the status of joint enterprise to activities in the hydrocarbon industry (Doc. 12/1972);
- Mr HOUGARDY on a proposal for a regulation on the communication to the Commission of the European Communities of hydrocarbon import programmes (Doc. 50/1970);
- Mr BIAGGI on a proposal for a regulation on the communication of investment projects of interest to the Community in the oil, natural gas and electricity sectors (Doc. 51/1970).

Previously, our committee had presented a report by Mr PHILLIP on the European gas industry (Doc. 126 and 142/1962) some of whose conclusions are still valid today.

These reports and the opinions accompanying them express the position of the European Parliament on a number of problems connected with the gas sector, concerning in particular prices, financing, structure, competition, trade policy, transport and storage.

4. This report will be confined to certain considerations already raised in previous reports but which we still consider of basic importance.

These considerations relate to the need to improve gas supplies and rationalize the use of gas.

1. Need to intensify gas supplies

5. The workable, known and presumed natural gas resources of the enlarged Community amounted, in 1972, to approximately 4,820 million cubic metres.

World resources in natural gas are estimated at about 50,000,000 million cubic metres. Thus the reserves of the Community represent barely 9 per cent of world reserves. It must be remembered that some of these world reserves are located in such remote areas that they cannot be considered as possible supplies for the Community in the foreseeable future.

6. In 1972, the production of natural gas in the Community of six was about 100,000 million cubic metres, (Groningue equivalent) representing an increase of about 23 per cent over 1971. In the same year, the production of natural gas in the United Kingdom reached 30,000 million cubic metres. The most cautious forecasts for the Community of Six indicate production of 135,000 million cubic metres in 1975 and 180,000 million cubic metres in 1985.

The Commission of the Communities recognizes the fact that great efforts will have to be made to prevent the basis of natural gas supplies from diminishing in the next few years. According to the Commission, these efforts must be directed both at the intensification of prospecting and exploration activities¹ and at a detailed study of new possibilities for the importation of natural gas.

7. Your committee considers these actions to be necessary but inadequate. To limit ourselves to them would be to put more faith in providence than in an authentic policy.

It is not realistic to indicate that prospecting for new deposits must be intensified without stating precisely what level of intensity these prospecting operations have already reached.

Similarly, the need to build up imports of natural gas cannot be referred to without at the same time considering the keen competition existing on the market. For instance, long-term contracts concluded between the United States and Algeria provide for the supply of 32,000 million cubic metres per year, while those concluded by the Community involve 27,000 million cubic metres per year, a supply rate which will only be reached in 1979.

¹ In its communication on the progress necessary in Community energy policy, the Commission proposed that arrangements be made for the systematic encouragement of research in the Community and for improving the terms on which concessions are granted.

8. In view of the rising prices on all energy markets, and notably on the natural gas market, the Commission should take steps to progressively introduce an effective common trade policy for the gas sector. Such a policy, going beyond the simple obligation, which exists at present, on the Member States, to inform the Commission of their imports of hydrocarbons, would naturally have to be based on objective considerations of Community requirements and supplies of energy. The implementation of the Commission's proposal for a regulation establishing a common system for imports of hydrocarbons from third countries (see BROGLIE Report: Doc. 37/73) would be a step in the right direction.

9. According to the Commission, the proportion of derived gases in the total consumption of gas will continue to diminish, after a period of stagnation in the case of some gases. Nowhere does the Commission indicate that it contemplates checking this development, or even that such action would be desirable.

Once again your committee notes an element of contradiction in such an attitude. It is impossible to hope on the one hand that the consumption of gas will reach a third of the total energy consumption by 1985 (representing a supply of 500,000 million cubic metres per year), while accepting on the other hand a progressive decline in the production of derived gases.

10. Our committee once again underlines the fact that it is not sufficient to recognize the importance for the Community of unfailing energy supplies, but that the consequences of this realization must be accepted, particularly by maintaining a certain degree of self-sufficiency. In the gas sector these consequences imply that, besides Community production of natural gas, a considerable effort must be made in support of derived gases and especially for research into the possibilities of converting coal into gas.

11. Mr BURGBACHER and Mr GIRAUD underlined in their reports referred to above, the necessity, from the point of safeguarding Community energy supplies, of promoting research into the gasification of coal. The development of high-temperature reactors may prove of great benefit for the gasification of coal.

Before arguing the excessive price of producing energy in this way, a comparative study should be made of the real costs of production, transport and distribution for the different forms of energy on the market.

II. Need to rationalize the use of natural gas

12. The Commission believes that the Community would do well to increase its consumption of natural gas. This source of energy does offer advantages in that it has very little effect on the environment, causes little pollution, and because the long-term supply contract has a stabilizing effect on prices.

Apart from the problems of availability of supplies already mentioned, natural gas should not be wasted, i.e. steps must be taken to ensure its optimal utilization.

13. For 1970, the breakdown of the use of natural gas in the Community of Six is as follows:

- 20% in electric power stations;
- 24% for domestic use;
- 48% in the various industries;
- 8% in the public services, etc.

The forecasts for 1985 give the following figures, respectively:
17, 35.5, 45 per cent.

14. When it adopted the reports of Mr BURGBACHER and Mr GIRAUD, the European Parliament emphasized the need to replace natural gas used in power stations by other sources of energy. This replacement is clearly connected with the revival of coal advocated by Mr BURGBACHER.

The Commission is aware of the fact that the prospect of a shortage of natural gas which is looming in the Community makes one wonder whether its combustion in power stations will not present certain problems.

As this is simply a hypothesis and not an affirmation of fact, the Commission evidently does not propose any action to remedy the situation. Your committee believes that urgent action is needed to prevent the wastage of a source of energy whose advantages and impending scarcity have been emphasized by the Commission which has, however, failed to make provision for appropriate measures.

15. The Committee on Energy, Research and Technology recalls that rationalization of the use of natural gas implies that it should be supplied primarily to domestic consumers and small industries (the fight against air pollution is a factor in this determination of priorities).

Furthermore, in the event of supply problems it will be necessary to limit provision to industries which are large-scale energy consumers.

16. Without wishing to analyse here the problems connected with the transport¹ and storage of gas, the important role of storage for the rational use of natural gas should, however, be recorded.

The Commission should undertake a study of the ways of assuring a well-balanced use of natural gas, despite considerable seasonal fluctuations in consumption, by means of storage.

¹ The Commission has submitted to the Council a proposal for a Regulation concerning trans-frontier oil and gas pipelines (see the HOUGARDY Report: Doc. 31/73).

17. In its communication on the problems and resources of energy policy for the period 1975-1985, the Commission recommended the application of a Community right of pre-emption for gas extracted in the Community. The Committee on Energy, Research and Technology, and subsequently the European Parliament, supported this proposal, which reinforces the measures laid down in Regulation No. 2603/69 introducing a common export system.

Within the framework of a policy of rationalization of the use of natural gas, this appears to be a cardinal concern. All the more so since, as the Commission points out 'we are already encountering some difficulties in meeting demand (for natural gas). Available information does not enable us to confirm that this is only a passing difficulty which will be surmounted in the long term as is sometimes claimed'.

Thus the only course open to us is to invite the Commission to propose guarantee systems for the use of energy resources produced in the Community.

18. The rational use of gas also implies that safety standards should be established. Increasingly frequent accidents make it necessary for the Community to establish a safety code for the transport and use of gas. Proposed directives with this end in view would constitute a first step forward in this sphere.

Conclusions

19. The Committee on Energy, Research and Technology feels bound to express its concern at the present development of the gas sector in the Community. It believes that the position taken up by the Commission in this matter does not constitute the basis of a realistic policy. Simply to consider the present trends in gas supply and gas use, without trying to guide these trends in an effort to guarantee and safeguard supplies, is the reflection of an attitude which may have serious consequences for the Community.

20. The measures proposed by the Committee on Energy, Research and Technology should be taken up and a start made on applying them immediately after the Commission has submitted suitable proposals. The Committee on Energy, Research and Technology in fact, expects the Commission to extend its analysis of the current situation and its probable development contained in its document on the 'Medium-term guidelines for the gas sector in the Community', by formulating proposed measures to guarantee reliable and regular supplies in the gas sector.